

**REPORTS AND BILLS**

OF THE

**SELECT COMMITTEE OF THE SENATE,**

RELATIVE TO THE

**SALE OF THE PUBLIC WORKS**

OF

**PENNSYLVANIA.**

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READ FEBRUARY 4, 1854.

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# REPORTS AND BILLS

1880

## REPORT OF THE COMMISSIONER OF THE PENNSYLVANIA DEPARTMENT OF EDUCATION

## FOR THE YEAR 1880

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## SALE OF THE PUBLIC WORKS.

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Mr. EVANS, from the Select Committee to which was referred that part of the Message of the Governor which relates to the sale of the Public Works, and the memorial of the Board of Trade of Philadelphia, beg leave to

### REPORT,

That they have had the subject under consideration, and have given it that careful attention which its magnitude demands. They concur in many of the views contained in the message of the Governor, as to the value of the public works as a means of developing the resources and promoting the commerce of the State, as well as of liquidating taxation and paying the State debt. They also concur in his views as to the extravagance in their cost and management, and the necessity and extreme difficulty of obtaining reform. Keeping in view the careful suggestions of the Governor, in relation to the existing evils in the management of the system and the necessity of reform, as well as his arguments for and against divorcing it from the government, your committee, for reasons which they beg leave respectfully to submit in this report, recommend to the Legislature the sale of all the canals and railroads owned by the Commonwealth, and have accompanied this report with a bill for effecting that object.

It is not necessary to discuss in this paper the policy and motives of the founders of this improvement system. Having arrived at the conclusion that public opinion, correct policy and sound morals, justify and demand a sale, it will be more useful to point out the reasons by which this conclusion is arrived at.

The public debt is estimated by the Governor at \$40,272,235 01. The annual interest upon this sum, at five per cent., is, in round numbers, two millions of dollars. The multifarious monetary transactions of the several departments of the government, complicate the State finances, and render it difficult or impossible for the tax-payer to understand them; but the sole problem, stripped of verbiage, for the Legislature and the people to solve, is, How shall this debt and interest be met and paid, with least burthen to the tax-payers? It is a debt resting upon the people, for the payment of which their houses, lands and tenements, and even their honor and good faith, are virtually mortgaged. This interest and debt provided for, all the other obligations of the Commonwealth would be met without tax upon real estate, and a surplus be left in the Treasury.

### HOW THE SYSTEM AFFECTS PUBLIC MORALS.

The system of public works exercises an influence more powerful upon the morals, and in some respects, upon the interests of the people, than the government itself. The officials and agents of the system, whose name is legion, extend to all parts of the Commonwealth,—a vast engine of political power, unknown to the Constitution, moved by a common impulse, and operating upon the public mind at any time they are so disposed, in State conventions, and at the ballot box, in solid column and with almost irresistible sway. But it is not as a dangerous political machine that it is viewed in its worst aspects,

nor as an exhausting drain upon the public purse; its malignant influences upon the morals of the community, are even more to be dreaded than all other evils, and powerfully co-operate in making it a festering disease upon the public. At every stage, complaints have been made of the extravagance, fraud and speculation in the conduct of the works, and the most honorable agents have been stigmatized with odium by an indignant public, smarting under the known abuses and heavy burthens they have generated. Attempts to reform, however loudly professed and honestly made, have been unavailing to eradicate evils inherent in the system. Economy, ever regarded as a cardinal virtue, in public as well as private agents, has too frequently been treated as a secondary consideration. Public servants, whose virtues have commended them to general esteem, have not been regarded as the most fitting instruments to discharge the peculiar duties expected of them.

That practices at war with all the established principles of political economy, have resulted in debt, taxation, extravagance, mortification and disappointment, is a misfortune, but cannot be a matter of astonishment to the people of Pennsylvania. Thousands have expected and predicted such a result from a system which has set at defiance all the laws which govern business men. Had the object of this anomalous system been to destroy and not to build up, the revenues and morals of the State, it could not have been more ingeniously devised; and therefore it is an extraordinary and unaccountable fact, that with a people so proverbial for practical intelligence it was ever sanctioned and has not long since been abandoned.

Your committee are fully aware that a proposition for a sale will encounter an energetic opposition. Where there are so many holding places of profit with ten expectants for every incumbent, each confident that his turn will come next, a formidable opposition may be expected. It is a great evil of the system that young men of gifted minds and correct impulses are seized with an ambition of serving in some subordinate position, and are thus taken from mechanical pursuits and the peaceful walks of private life they are so well fitted to adorn. The evil is contagious, spreading from man to man. Appointed to offices at a distance from home, thrown among strangers and surrounded with temptations, the habits of young men are endangered; and being selected for partisan zeal, they frequently exercise an improper influence upon local elections in which they may not be interested.

These considerations, affecting the public morals and the purity of elections are all to be taken in connection with the question of revenue and taxation. The moral purity of the public in proportion to its value should be guarded. And who can estimate its value? It is beyond price. Pecuniary considerations are as a drop in comparison.

The present Constitution deprived the Governor of the power of dispensing extensive patronage, because it was the fruitful source of corruption. The proposed sale is supported by the same argument. If patronage abused was a sufficient cause for changing the fundamental law, is it not equally so for a sale of the public works? Was abuse of patronage in the hands of the Executive to be compared with its abuse on the public works? A remedy more imperative in the latter case than in the former.

#### POPULAR OPINION.

The voice of the people sanctions a sale. At a popular election in 1844, a majority of more than twenty-one thousand voted for a sale of the main line, and on various occasions the Legislature has agitated the subject. Numerous memorials in favor of a sale, have come up from the people, without a remonstrance against it. The law of 1844, authorized the sale only of the main line, and unfortunately affixed a price beyond the market value of that work. It was offered at twenty millions, but there were no purchasers at that price.

The policy of relinquishing to companies unprofitable lines, was adopted by the State, when the Erie extension and other works were transferred to companies, without pecuniary consideration, because they were deemed unprofitable investments for the State. And this policy has been sanctioned by the people; no citizen has ever proposed a resumption. The Erie extension was abandoned—also the Gettysburg railroad, after an expenditure on the one of \$3,192,621, and on the other of \$681,531 00. Acting upon the same policy, we propose, by a fair sale, to abandon all the works at fair prices, and to separate forever the State from similar investments, except under the most urgent State necessity.

#### EFFECT OF A SALE IN 1844.

Let it be supposed that all the public works, including the Delaware division, the West Branch and North Branch canals, had been sold with the main line, and that the purchase money, in State bonds then twenty to thirty per cent. below par, had been equal to the price fixed for the latter—or \$20,000,000. The State debt, at that time, was \$39,084,000 47, and the annual interest \$1,941,827 23. The sale of all the lines at that price, would have sunk the State indebtedness to \$19,084 40, and the annual interest to \$941,827 23.—No sale was effected however, the debt was increased, and in 1847, the interest rose to upwards of two millions annually, at which figure it has stood to this day. It is scarcely doubted that at the low price of State stocks in 1844, the entire works would have brought the above amount.

It is obvious that such sale would have enabled the State to apply the sum of one million previously required to pay interest to the payment of the principal. Such an application (estimating annual interest saved at a million and compounding it from year to year,) would have reduced the State debt as follows:

Years.	State debt.	Sinking Fund.
1844.....	\$19,084,000	Interest saved. ....\$1,000,000
1845.....	18,084,000.....	do..... 1,050,000
1846.....	17,034,000.....	do..... 1,102,500
1847.....	15,931,500.....	do..... 1,157,625
1848.....	14,773,875.....	do..... 1,215,535
1849.....	13,558,340.....	do..... 1,276,310
1850.....	12,282,030.....	do..... 1,340,125
1851.....	10,941,905.....	do..... 1,407,131
1852.....	9,534,774.....	do..... 1,477,487
1853.....	8,057,287.....	do..... 1,551,361
1854.....	6,505,926.....	do..... 1,628,929
1855.....	4,876,997.....	do..... 1,710,375
1856.....	3,166,622.....	do..... 1,795,893
1857.....	1,370,729.....	do.....

We have thus a mathematical demonstration; that, had the wise policy of selling the public works been adopted in 1844, for what was then considered a small price—twenty millions—we should now be verging on the birth of a new era—a State with vast resources and no debt. Let us profit by what might have been done, and adopt a wiser course in future. The lessons of the past are instructive, and should not be lost upon us. What might have been history now, may yet be realized.

#### EFFECT OF A SALE IN 1854—STATE DEBT PAID IN 10 YEARS.

It is difficult, if not impossible, to estimate the real intrinsic value of the public works. They may be worth thirty millions in the hands of energetic companies, and not one-third of that sum to the State. Estimating their value, for the present, at twenty millions, it is easily demonstrated that in a

few years if disposed of at that price, the State would be liberated from debt, and real estate from taxation. A sale for this sum would leave a State debt of \$20,272,235, and with an annual interest of \$1,000,000.

From the Auditor General's report of 1853, pages 6 and 39, it will be found that the ordinary revenues for the last fiscal year, exclusive of loans, canal tolls, &c., amount to . . . . . \$3,117,257 95  
Ordinary expenses, exclusive of interest . . . . . 590,611 87

Excess of revenues over expenses . . . . . \$2,526,646 08  
Deduct interest upon debt of \$20,272,235 01, say . . . . . 1,000,000 00

Would leave surplus revenue . . . . . \$1,526,646 08

Showing that last year the State Treasury had the ability to pay all ordinary demands, and the interest on twenty millions of debt, without the three mill tax on real estate (\$1,352,448 31)—leaving a balance in the treasury of \$174,197 77. The receipts last year, owing to bank bonuses were probably greater than ordinary, but with the growth of wealth, population and industry, and a reduction of the State debt to twenty millions, we may safely calculate, that for the next ten years the average annual surplus revenue will be \$1,400,000. Apply these data, and the following will be the result :

Years.	State Debt.	Sinking Fund.
1854. . . . .	\$20,272,232	Interest saved. . \$1,400,000
1855 . . . . .	18,872,233. . . . do . . . .	1,470,000
1856. . . . .	17,402,233. . . . do . . . .	1,543,500
1857. . . . .	15,858,733. . . . do . . . .	1,620,675
1858. . . . .	14,238,058. . . . do . . . .	1,701,708
1859. . . . .	12,536,350. . . . do . . . .	1,786,793
1860. . . . .	10,749,557. . . . do . . . .	1,876,132
1861. . . . .	8,873,425. . . . do . . . .	1,969,938
1862. . . . .	6,903,487. . . . do . . . .	2,068,434
1863. . . . .	4,836,053. . . . do . . . .	2,171,855
1864. . . . .	2,665,248. . . . do . . . .	2,280,447
1865. . . . .	385,903	

Thus the State debt will be extinguished in a period of eleven years.

#### PAST AND FUTURE.

Having presented in the foregoing tables a view of what might have been effected in the past, from 1844 to 1857, and shown what may be done in the future, we proceed to illustrate the financial condition and history of the State from reports of the Auditor General, by giving tables showing :

- I. The cost of constructing and managing the public works, together with the interest money paid.
- II. The cost of each line, its expenses and revenues.
- III. The total cost of railroads and canals.
- IV. State debt and expenditures.
- V. Revenues and expenditures.
- VI. Annual receipts and expenses for nine years from 1845, with estimates for 1855.

## COST AND REVENUE OF EACH LINE.

The following table, carefully prepared by the Auditor General, shows the cost, revenue, and expenditure upon each line from the commencement of the system, together with the interest paid:

LINES.	Cost.	Revenue.	Expenditures.
Columbia and Philadelphia railway..	\$5,277,278 44	\$9,020,278 39	\$5,860,291 11
Eastern division of canal.....	1,737,285 22	2,932,571 14	862,938 08
Juniata.. do.....do.....	3,575,966 29	1,496,429 79	1,950,687 92
Allegheny Portage railway.....	2,708,672 12	3,520,407 84	4,014,788 86
Western division of canal.....	3,173,432 18	2,812,312 32	1,340,535 07
Main line.....	16,472,634 25	19,781,999 48	14,029,241 04
Delaware division of canal.....	1,454,936 63	2,746,650 25	1,223,301 06
Susquehanna.....do.....	897,160 52	475,254 57	605,990 18
North Branch.....do.....	1,598,379 35	1,374,258 87	799,775 24
West Branch.....do.....	1,832,583 28	573,338 29	815,318 57
Lines in operation.....	22,255,694 03	24,951,501 46	17,473,626 09
French Creek division of canal.....	817,779 74	5,819 67	143,911 94
Beaver division.....	519,364 92	38,312 29	210,360 00
Finished lines.....	23,592,838 69	24,995,633 42	17,827,898 03
Unfinished improvements.....	8,695,044 65	.....	.....
Board of Canal Commissioners.....	78,962 39	.....	78,962 39
Board of Appraisers.....	17,584 93	.....	.....
Collectors, weigh-masters and lock keepers.....	.....	.....	1,540,793 16
Exploratory surveys.....	157,837 11	.....	.....
Sale of public property.....	.....	346,387 05	.....
Patent rights, engravings, printing, &c.....	.....	.....	52,203 45
Totals.....	\$32,542,267 77	25,342,020 47	\$19,499,857 03

Interest paid on internal improvement loans to Dec. 1, 1853..... \$35,157,796 13

## TOTAL COST OF RAILROADS AND CANALS.

The foregoing statement exhibits the original cost at..... \$32,542,267 77  
Interest paid upon the same..... 35,157,796 13  
Expense of conducting works..... 19,499,857 03

Total expenditures on public works..... 87,199,920 93  
Add floating debt, as per Governor's message..... 1,223,429 00  
Appropriations required for North Branch canal..... 171,058 51  
Allegheny Portage railroad..... 961,360 29  
\$89,555,768 73

## REVENUES AND EXPENDITURES FROM 1830 TO 1854—24 YEARS.

It also exhibits the revenue from 1830 to 1854, on all the lines at..... \$25,342,020 47  
Do..... expenditures.....do.....do..... 19,499,857 03  
\$5,842,163 44  
Making an average annual income for 24 years, of..... \$243,423 47

## ANNUAL RECEIPTS AND EXPENSES OF CANALS AND RAILROADS FROM 1845 TO 1855.

Years.	Receipts.	Expenditures.
1845 .....	\$1,154,591 51.....	\$687,644 06
1846 .....	1,357,203 37.....	719,848 35
1847 .....	1,587,995 61.....	703,043 16
1848 .....	1,550,555 03.....	1,023,045 80
1849 .....	1,628,860 13.....	972,806 23
1850 .....	1,713,848 16.....	1,516,868 08
1851 .....	1,719,788 54.....	1,870,290 22
1852 .....	1,938,574 43.....	2,294,321 73
1853 .....	1,893,246 50.....	2,780,850 79
1854, est. of Canal board.....	2,100,000 00.....	2,757,421 91
	<hr/>	<hr/>
	16,644,663 28	15,326,140 33
	15,326,140 33	
	<hr/>	<hr/>
Excess of revenue in 10 years,	\$1,318,522 95	
	<hr/>	
Av. annual revenue for 10 yrs.,	\$131,852 29	
	<hr/>	

[In the expenditures above are included the cost of North Branch extension and avoiding Allegheny Portage road. These expenditures omitted, would make the average annual revenue \$400,000, or something more.]

It is believed that from the above tabular statements, a correct idea may be formed of the cost of the State works, in construction, extensions, management and interest, as well as of the revenues.

The net annual income for twenty-four years is shown to be \$243,423 47

The net annual income for the last ten years. .... 131,852 29

The interest upon the State debt of forty millions of dollars, at five per cent., is two millions of dollars. It is conclusively shown, therefore, that after appropriating the foregoing income of \$131,852 29 to the payment of this interest, it requires \$1,868,147 71 to be raised by taxation. It might be supposed that latter years had been more productive than the former ones. This does not appear to be the case. The increase of business has been attended with a proportionate increase of expense, while dilapidation of canals and the wearing out of rails, have created a necessity for appropriations in a corresponding ratio. Indeed, it will be seen that, by the extension of the North Branch canal, building Portage railroad, &c., the expenses of the last three years have largely exceeded the income, and our hopes of gain have vanished like the baseless fabric of a vision.

## MANAGEMENT OF THE WORKS.

Whether it is wise for the State to hold on to works, and persevere in a system which has broken so many pledges and so totally failed of just expectation, is a matter for the sober and candid judgment of those who have to bear the burthens. Like the unsuccessful gambler, the State has been lured on in the hope of redeeming losses. We have not profitted by experience, but from year to year have rushed blindly into new expenditures. Every failure has been followed by the most fallacious calculations to induce further expenditure, and disappointed hopes by increased confidence. In the Governor's message it is stated that in 1852, the work to avoid the Allegheny inclined plane was estimated to cost "the meagre sum of \$591,350." It declares that \$650,000 have been spent since that time, and that over six hundred thousand is still required.

The engineer of the North Branch canal in 1851, estimates the amount necessary to complete the work, at \$773,957 87. The same message states that one million of dollars has been spent, and the Canal Board yet require \$171,058 to complete it.

These instances are adduced as specimens of the actual cost of construction compared with estimates. It is believed they are not more unfavorable than the usual average of those in which the Commonwealth has been concerned. They afford an additional and lamentable proof that government is and always has been imposed upon, even by honest agents, who, by flattering calculations, are ever anxious to secure the construction of works, which, from real or interest, they are apt to over estimate, both in their value to the public and the return they will make on the investment.

If we turn from the construction of the works to their management, we shall find that the Commonwealth has been even more unfortunate. It is not our purpose to point out numerous instances or to heap up evidences of fraud.

The canal Board in 1853, estimate the cost of working the Allegheny Portage road at \$442,292 35, making due allowance for old debts, &c. In their report to the present session of the Legislature, the actual expenses are set forth as follows:

Appropriations for 1853.....	\$415,086 04
Debts still due. ....	215,727 55
<hr/>	
Making a total of expenses and old debts of. ....	<u>\$630,813 59</u>

In the year 1851, the superintendent of the Allegheny Portage road states that the cost of wood upon that road was \$18,025 22, and he estimates the amount required for 1852 at \$21,835. In his report for the latter year he states the cost at \$30,097 93; and estimates the amount required for 1853 at \$30,500. In his report for 1853 he states that the total expenditures for wood for that year (although the estimates were only \$30,500,) were seventy thousand three hundred and forty-four dollars and seventeen cents.

We have no data by which we can know whether the full amount of debts are exhibited in the foregoing. They serve to show, however, that the estimates of cost are uniformly as much too low as the estimates of income are too high. That the people should not understand the operation of the public works, and the causes of the heavy outlays, may not be considered very surprising when the Canal Board, the agents who have them in trust, acknowledge their own inability to expound them.

Every allegation of fraud and profligacy alleged against the present system of management is more than admitted by the last report of the Canal Board. Of the expense of managing the Allegheny Portage road, in 1853, they say it "amounted to the enormous sum of \$492,252." In 1852, they say it "amounted to \$402,195. To this must be added, however, \$54,332, which had not been reported by the former Superintendent, but has since been discovered!" Again they say: "could the Board assume that the amount expended in 1852 was all legitimate, there would be little difficulty, &c." "Although the Board have not been able to detect any fraud, yet from the very careless manner in which business has been hitherto transacted there, it is readily perceived how easy it might be to practice extensive frauds, and at the same time the officer be innocent of any corrupt motive. Take the article of wood for example, and it cannot be doubted but that the State has been imposed upon to a large amount." "In consequence of these frauds," say the Board, "they have adopted a plan which, in the item of wood, will save the State twenty thousand dollars a year," adding that "a regard for truth and candor constrains the Board to express the opinion that at least forty thousand dollars have been paid out for wood, within the past two years, for which not one dollar's advantage has accrued to the Commonwealth."

Such is the confession in the report of the Canal Board. Could language more emphatically condemn a system, which, after twenty years experience admits of such abuse?

In what company or bank, or what railroad, except that of the State, could it be possible for *forty thousand dollars* to be expended not only without the knowledge of the accounting officers, but "without one dollar's advantage?" It is a matter of congratulation, that a reform, whereby twenty thousand dollars are saved in "the single item of wood," has been discovered even after twenty years experience! Upon a short road of thirty-six miles, every dollar expended should be rigidly accounted for without difficulty, and the whole system should be simple, accurate and energetic; but for the want of such a system, thousands have been squandered, forty thousand in a single item—and the Canal Board, alluding to such small items, frankly confess that "it is readily perceived how easy it might be to practice extensive frauds!" Who can tell the full extent of imposition on this and other lines, when it is admitted it is so easily practised? The efficient management of the Portage road was especially referred to by the Governor in his message, January 5, 1853, and of the Superintendent he took occasion to say, "certainly a more honest and devoted public servant could not be found than the gentleman who superintended the operation of this work for the past year." If under such an "honest and devoted" man these things occurred, what might not be feared if they were in hands of men less scrupulous, such as have sometimes crept into office?

The objects of government should be few and simple as possible. To mingle with it business, whether mercantile or mechanical, is inconsistent with its object, and may be carried to a dangerous extent; and is alike destructive of sound morals as it is of private enterprise. The separation of politics and trade, would do much to restore our government to its original purity, and would be hailed by every virtuous citizen as the dawn of a better and brighter day. Government bounty saps the moral energies of any people. The views of President Jackson, in vetoing appropriations for a national road, possess force in this connexion. "In the best view of these appropriations," says he, "the abuses to which they lead far exceed the good which they are capable of promoting. They may be resorted to as artful expedients, to shift upon the government the losses of unsuccessful private speculation, and thus, by ministering to personal ambition and self-aggrandizement, tend to sap the foundations of public virtue, and taint the administration of government with a demoralizing influence." In another place, he also says, they "promote a dangerous and mischievous influence upon elections," and thus favor "combinations to squander the treasure of the country upon a multitude of local objects, as fatal to just legislation as to the purity of public men."

The improvements of the State create a necessity for a vast number of officers to manage them. These officers, obeying the will of one common head, necessarily lose much of that independence which is the boast of the freeman; and power, which theoretically belongs to the people, becomes centralized in a few hands, who are bound together by the cohesive power of official patronage, and thus the people experience all the evils of a vast consolidated government. The officials, under the system, profit by its expenses, and the temptation to increase these expenses is therefore ever present.

The doctrine of rotation in office, and of rewarding partisan service, is justly deprecated by the Governor. A necessity for reform is felt by every patriotic citizen. This evil has been acknowledged and deplored for years; but, after the experience we have had, no one who is not blind to the power of party, ever expects to realize the fond anticipations he has indulged that it would be corrected. With no disposition to reflect upon any officer of the government, it will often happen that the Commissioners who manage the works, will not be duly qualified for their

rice, when selected merely for their partizan claims and availability. While the choice is the result of a political scramble, the adroit manœuverer will be most likely to gain the prize; and he, of course, will feel bound, in choosing his subordinates, to provide the best places for those to whom he is under the deepest obligations. This is not only natural but unavoidable, whatever party may be in the ascendant. If party success fluctuates frequently, as it is prone to do in a free country, the subordinates must change with every change of party, no matter what the nature of their office, or the skill and experience required for its due performance. In mere political stations these changes may be tolerated, though even there it is often injurious, but in positions which require the incumbent to know something, to be expert and faithful, it must be obvious that the services of such should be secure from arbitrary andanton change. Political views and partizan dexterity, indispensable qualifications with the State, constitute no recommendation with a well organized company, where competency is the only pre-requisite in the selection of both managers and subordinates. In such a company, as with the farmer, the merchant, the banker or the mechanic, the skillful and faithful operative or agent, is cherished and retained as long as possible, instead of being recklessly dismissed for his opinions, to make room for some retainer of certain politics but of uncertain fitness for the place. The failure of our entire system of management, and the evils it entails upon the people, it must be admitted, are only legitimate consequences of the departure from sound business principles, if not a just judgment upon our political fanaticism and folly.

#### MANNER OF SALE AND THE PRICE.

The remarks of the Governor upon this important subject have been taken into respectful consideration. The objections to making the State a joint stockholder in an incorporated company, are not altogether without foundation; and the plan should not be adopted unless indispensable to effect a sale. But would it not be better to retain one-fourth of the stock if by so doing three-fourths could be sold, than to defeat a sale altogether? The great object is to bring about a sale, and it should not be defeated by subordinate objections. Objections may be started to every plan; great sores are not to be cured without severe remedies. Almost any sale is better than no sale. Almost any price is preferable to continuing a system at a loss of morals and money. Our motto should be a total and complete emancipation from all the works; but if that be not possible, then even a part would be a happy deliverance.

We concur with the Governor that the price is an important consideration, and that whether a sale would be expedient or not depends somewhat upon whether the proceeds of the sale would yield more than the net profits of the works. But when we consider how difficult it is to estimate the profits for a series of years—the fallacy of all former calculations, and the active competition which is springing up along all the lines, and the imbecility of State management, it becomes rather a question of what we can get than what we will take, and is therefore sound policy to sell on the best terms possible. We also concur with the Executive that the buyer will expect to get the “best of the bargain.” But it must not be inferred from this that the State will get the worst. If this were an objection against a sale, it would be equally so against all exchanges and mercantile transactions. No one buys or sells a house unless he has the “best of the bargain.” It is the principle which governs the farmer, the merchant and the banker. Every buyer thinks he has made a bargain and the seller flatters himself with the same idea. And both may be right—each may have the “best of the bargain.” Exchange is a mutual advantage. That the State in selling the public works would have the “best of the bargain,” is beyond a doubt; and that in the hands of energetic and economical companies they would yield remunerative returns for the capital invested, is evident from the permanent character of those sources upon which they depend for business.

The improvements of the State naturally divide themselves into four divisions, as follows :

1. The main line from Philadelphia to Pittsburgh.
2. The Delaware division.
3. Susquehanna division and North Branch canal.
4. The West Branch canal.

Several plans may be stated for effecting a sale, which the committee propose for the deliberation of the Senate in the accompanying bill :

1. Empowering the Governor to advertise and receive proposals for each line separately, and to sell to the highest and best bidder—fixing a minimum price.

2. In case the minimum price is not offered, books to be opened and subscriptions received to the stock of each line—the capital stock, number of shares and price per share, being fixed in the bill.

3. In case no sale be effected as above, the Governor is authorized to receive proposals for leasing each line for a term of ten years, which shall be submitted to the next Legislature.

Your committee are fully aware of the impossibility of maturing any plan free from all objections, either in the price or the manner or terms of sale.—But they entertain a deep conviction that all these are subordinate in the eye of the people, to the emancipation of the Commonwealth from the burthen of the present system.

Your committee, in framing bills, have ventured, not without much hesitation, in designating a minimum price upon each line, as follows :

Main line from Philadelphia to Pittsburgh.....	\$12,000,000 00
Delaware division.....	2,500,000 00
West Branch division.....	500,000 00
North Branch canal and Susquehanna division.....	5,000,000 00

In fixing these prices, it must be admitted that they hold out to enterprising corporations an opportunity of investing capital to such an advantage, and with such prospect of realizing large profits as rarely occurs ; and while it is barely possible that the State may suffer a disadvantage, all the probabilities are that it will save, in the interest of the capital liquidated, from fifty to one hundred per cent. more than experience has taught us to believe it would derive from the public works. Even at this price the public debt would be reduced to a little more than twenty millions of dollars—a sum which would be extinguished by the ordinary revenue of the government, and without increase of taxation, in a comparatively short period of time.

From an examination of the tables and calculations in this report, your committee believe, sober minded and prudent citizens must arrive at an opinion favorable to a divorce of the State, once and forever, from a business which especially belongs to incorporated companies and mercantile men. The union of trade and politics must ever be dangerous ; they should be friends not allies. One is sure to corrupt the other. Governments should be restricted to purely political powers necessary to the existence of society. Extensive patronage is followed by demoralization and corruption—it vitiates the public taste and enervates society. Can our people, under the auspices of our happy form of government, hope to escape the vices which naturally flow from this patronage, and avoid the uniform fate of other nations ? A grand system of improvements under the glowing tongue of eloquent advocates, is apt to fascinate the imagination and to lead to the most extravagant expectations. The picture of wealth and grandeur held up to the admiration of posterity, of cities and towns springing up as if by magic, and of extensive revenues flowing into the coffers of the State, are well calculated to inspire the confidence of even those whom bitter experience has taught a different lesson.

Can the Legislature longer hesitate, with the flattering prospects resulting from a sale, to authorize it? There is great force in the language of the memorial referred to the committee, where it is given as "the deliberate opinion of this board, that the Legislature can do no single act more conducive to the prosperity of the entire Commonwealth, than to provide by law for early sales at fair prices of the public works."

All of which is respectfully submitted. The committee offer the following resolution:

*Resolved*, That the committee be discharged from the further consideration of the subject.

AN ACT to provide for the sale of the public works of Pennsylvania, and the reduction of the State debt.

WHEREAS, experience has proved that the management of the public improvements by the State is liable to great evils, and not attended with that success which was anticipated; and whereas, the liquidation of the State debt, and the reduction of taxation, are objects earnestly desired, and which may be promoted by a sale of the canals and railroads of the State at fair prices; therefore

§ 1. *Be it enacted by the Senate and House of Representatives of the Commonwealth of Pennsylvania in General Assembly met and it is hereby enacted by the authority of the same*, That as soon after the passage of this act as may be it shall be the duty of the Secretary of the Commonwealth to advertise for proposals for the purchase of the several divisions of the public improvements—canals and rail roads—that is to say: the Delaware division of the Pennsylvania canal, the Main Line of canal and rail road from Philadelphia to Pittsburgh, the Susquehanna division and North Branch canal, and the West Branch division, in one newspaper at Harrisburg and one in each of the cities of Philadelphia, New York, Baltimore, Boston and Pittsburgh, for a period of three months; which proposals, if any shall be received, shall be publicly opened by the Governor at a day and hour to be fixed in the advertisement, and in the presence of the several heads of department, who shall proceed to allot the said divisions, to the highest and best bidders, together with all the property, real, personal and mixed, thereunto belonging, subject to the terms and provisions of this act; *Provided*, that no bid shall be received which is for a less amount than the sums following—that is to say:

For the Delaware Division of the Pennsylvania Canal, \$2,500,000

For the Main Line from Philadelphia to Pittsburgh, . . . . 12,000,000

For the Susquehanna and North Branch Division, . . . . . 5,000,000

For the West Branch Division, . . . . . 500,000

and the Governor is hereby authorized and empowered to organize and incorporate the purchasers in behalf of whom the bids for either of the divisions may have been given, in number not less than persons or corporators, under the name, style and title, either of

The Delaware Navigation Company,

The Philadelphia and Pittsburgh Railroad and Canal Company,

The North Branch Canal Company, or

West Branch Canal Company.

According to the division so allotted by the Governor to the purchasers, with all the powers and privileges, and subject to all the provisions and restrictions prescribed by an act regulating rail road companies, approved February 19, 1849, not inconsistent with the provisions of this act; *Provided*, that if any of said works shall be wholly purchased by any incorporated com-

pany the said works shall be held under the terms and with the powers which such company already has and enjoys under its charter as if a part of its other works.

§ 2. That the Governor shall require the payment of twenty per cent. of the purchase money in cash or in State bonds at par, at the time of the allotment, or within thirty days thereafter; and the balance of the purchase money for each division shall be divided into ten equal payments, for which the company purchasing a division shall issue its bonds for the amount of the purchase money remaining due on said division, which without any other record than this act shall be a lien on all the works, and the improvements transferred to any such canal or railroad and canal company which shall bear an interest at six per cent. per annum, and be made payable in cash or in stocks of this Commonwealth, one each year for ten consecutive years.

§ 3. That in case the said divisions or either of them, shall not be allotted as provided aforesaid, the Governor is hereby empowered at such times and places as he may deem proper, to open books, receive subscriptions, organize and incorporate a company or companies, with appropriate names, styles and titles, as above designated, each having the same powers and privileges and subject to the same provisions and restrictions as are hereinbefore provided.

§ 4. That the capital stock of the said companies in case of such purchase by other than an existing corporations shall be as follows:

The Delaware navigation company shall consist of fifty thousand shares at fifty dollars each.

The Philadelphia and Pittsburg railroad and canal company shall consist of two hundred and fifty thousand shares at fifty dollars each.

The North Branch canal company shall consist of one hundred thousand shares at fifty dollars each.

The West Branch canal company shall consist of ten thousand shares at fifty dollars each.

§ 5. That as soon as the entire number of shares in the foregoing companies or either of them, shall be subscribed, and twenty per cent. upon each share in cash, or an equal amount in State stocks at par shall be paid into the State Treasury, and upon the delivery of ten bonds each for the sum and in the manner prescribed in the second section of this act, the Governor is hereby authorized and required to convey to the company, organized as aforesaid, the whole of said division of the public improvements, together with all property, real, personal and mixed, belonging to the same, expressly subjected therein to the lien of the balance of the unpaid purchase money unto the Commonwealth until fully paid.

§ 6. That in case the whole number of shares, in either of the foregoing divisions, shall not be subscribed within one month from the opening of the books, the Governor shall subscribe for the shares not subscribed for, provided they shall not exceed one-fourth of the whole number, and the several bonds to be given by the company or companies under the preceding section, shall be reduced in a proportion, pro rata, to the amount subscribed under this section, which said stock shall be disposed of, from time to time, under the authority of the Legislature.

§ 7. That the said companies so organized, shall have the power to levy and collect such tolls as they may deem proper, not exceeding per ton, per mile, the rates now charged by the State.

§ 8. That either of the aforesaid companies shall have power to borrow money for the purpose of improving or enlarging their works, in any sum not exceeding fifty per cent. of their capital stock, at a rate of interest not more than seven per cent. per annum, to issue bonds or obligations for the same, in sums not less than one thousand dollars each, and to mortgage the real estate, canal, or railroads and franchises of the company as security therefor.

9. That any canal or railroad company be and they are hereby authorized and empowered to subscribe to the capital stock of either of the aforesaid companies, and any such railroad or canal company so subscribing, or any incorporated company wholly purchasing such division, is hereby authorized and empowered to increase its capital stock to the amount so subscribed.

§ 10. That either of the said companies so organized by the Governor, may, at any time before the maturity of the said bonds, pay off, and satisfy the same, or any one or more of them; and it is further Provided, That at any time, any one of the said bonds shall be, and remain unpaid, for the space of sixty days after the maturity thereof, that then, and in that case, the Commonwealth shall have full power to re-enter upon, and take possession of all the property hereby intended to be transferred to the said company so failing to pay; and if the Legislature shall not be in session at the time of such default, the Governor shall have full power to appoint one or more persons to take possession thereof, and hold the same with all the rights and advantages thereof as fully as the State now holds the same.

§ 11. That each of the said companies shall be required to carry out in good faith, from the date of taking possession of any of the Public Works, all contracts then subsisting, for work or materials, made by the State, or its agents, with individuals or companies for the completion of new work or repairs on the said line of Public Works so purchased by them, and pay all damages assessed after the date of such possession in favor of owners of property along the said line.

§ 12. That all the monies accruing to the treasury from the sale of the said Public Works shall be added to the sinking fund and be applied to the payment of the public debt, according to the provisions of the act entitled "An act to create a sinking fund, and to provide for the gradual and certain extinguishment of the debt of the Commonwealth," approved April 10, 1849.

§ 13. That if any portion of the Public Works shall not be disposed of under the preceding sections of this act, the Governor shall advertise as aforesaid, for proposals for leasing the same, in separate divisions, to individuals or companies for a period not exceeding ten years, and the proposals so received, if any, shall be reported to the next Legislature.

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The undersigned, a member of the select committee to whom was referred that portion of the Governor's message relating to the sale of the public works, begs leave to say that he concurs in the general purpose and principles of the bill, but dissents from that portion of it fixing the price, believing it to be too low.

S. S. JAMISON.

Mr. QUIGGLE, from a minority of the Select Committee, to whom was referred so much of the Governor's Message as relates to the sale of the Public Works of the Commonwealth made the following

#### REPORT:

The undersigned, a minority of the select committee, to whom was referred that part of the Governor's message which relates to a sale of the public works, respectfully dissent from the report of the majority of said committee for the following, among other reasons, viz:

*First.*—The price or sum fixed for which the Governor is authorized and directed to sell the same, under the bill as reported, is too low and inadequate. From the report of the State Treasurer and Auditor General, made to the House of Representatives, in pursuance of a resolution of that body, passed at the present session of the Legislature, it appears that the aggregate cost of these improvements, exclusive of interest on loans, necessary to construct the same, is \$32,542,267 77. The interest paid on these loans, which, however, is only incidental upon the cost, is \$35,157,796 13. The bill under consideration proposes to authorize and direct a sale of the improvements, in divisions, or as a whole, for the aggregate sum of \$20,000,000, being over twelve and a half millions of dollars below their original and actual cost. This the undersigned regard as too great a sacrifice on the part of the Commonwealth, and that it would not be justifiable in the Legislature to direct their sale to be made at this rate.

*Second.*—The manner and terms of payment the undersigned consider equally objectionable. They are the more so when applied to any single division which is directed to be sold under the provisions of the bill. Many of these divisions of the public improvements, it is not denied, would command higher prices than those proposed, and could be sold as to payment on better and more favorable terms. The bill directs that the whole, or any single division thereof, shall be sold on the same terms, to wit: Twenty per centum in cash or State bonds, and the residue in ten equal annual payments. This is manifestly improper. While the terms of payment may not be so objectionable in the sale of some of the less valuable and profitable parts of the public works, they could be considered only as a mere rental as to other divisions. There is a wide difference between the Delaware division of canals, the Columbia and Philadelphia railroad, and the West Branch and other divisions that might be named. To give similar or equal terms in the payment for these divisions, is not such a discrimination as their respective value deserves.

*Third.*—The authority vested in the Governor to incorporate the purchasers into companies or bodies politic, without defining their rights, their powers or privileges, and without determining in any respect their limitations and restrictions, would be conferring upon one man and upon that officer, a power imprudent in the extreme, unwise and unwarrantable. Such a power in one man, it is apprehended, has no precedent in Pennsylvania legislation.

*Fourth.*—An objection exists to the proposition to compel a sale of individual divisions of the public works, without any discretion in the Executive, and without any disposition being made of the other portions. The Commonwealth should not be compelled to part with such portions of her public works as are valuable and profitable, and to retain such as yield no profit, and are

tain upon the treasury. Those which are valuable and a source of revenue the Commonwealth should be sold for their full value; otherwise they could be retained to defray the expenditure on the unprofitable, and induce fair sale of the whole.

*Fifth.*—The provision in the first section of the bill, to wit: That if said works shall be purchased by any incorporated company, the same “shall be sold under the terms and with the powers, which such company already has and enjoys under its charter, as if a part of its other works,” is, in the judgment of the undersigned, a most dangerous, incautious and impolitic provision. There are incorporated companies of every variety of powers which could be bidders for these improvements, not only in this State, but in other states and abroad, the “terms” and “powers” of whose charters, as they now exist, could not be sanctioned by any principle of justice or right in this Commonwealth, in the use and enjoyment of these works; and which would be wholly inconsistent with sound public policy. It would be needless to cite instances which might occur under this provision of a most alarming character.—To guard against the power of the purchasers—to define their rights and privileges under the purchase—to protect our own citizens against injustice and the encroachments of such a monopoly, should be the first care, the anxious consideration and the early attention of the Legislature, in the sale of these works. And in this connection, the undersigned may be permitted to remark, that one of the strongest and soundest objections to a sale of the public works of the State, is the very danger of this power, against which this bill does not sufficiently provide, but which it proposes most dangerously, to augment and enlarge. Under no circumstances could the undersigned give their consent to a principle such as that embodied in this section of the bill. Pennsylvania already feels the influence of incorporated monopolies within her borders—that influence is felt in her politics and in her Legislation. The tendency of all legalized monopolies is to consolidation and to power; and therefore, too much circumspection and care cannot be observed in disposing of the question under consideration.

This disposes briefly of some of the reasons which have influenced the dissent of the undersigned to the first division of the bill as reported by a majority of the committee; and they proceed to consider in as brief a manner the second division.

*Sixth.*—This division of the bill which occurs at the third section, proposes an alternative, that if no allotments shall have been made under the first, the Governor shall open books, receive proposals and organize companies to purchase these works at the prices above designated, and on terms not so favorable to the Commonwealth. The object of inviting proposals, to wit, to invite competition, is totally defeated by this alternative. Assuredly there will occur no competition for these works while this division of the bill remains. Individual companies will most undoubtedly combine to prevent competition in proposals with the view of getting the works at the low prices above specified, by subscriptions authorized to be made by the bill, with the additional advantage of having the Commonwealth a large shareholder in the company thus to be formed.

*Seventh.*—That the Commonwealth shall be compelled to become a stockholder with individuals or companies in the purchase of these works, is adverse to the views announced by the Governor in his annual message, and does not meet the approbation of the undersigned. If the Commonwealth is to be interested in these improvements, let her own them and control them. Her partnership relations heretofore have proved by experience not to have resulted to her benefit or advantage. This provision is an insuperable objection to the bill.

*Eighth.*—The general features of the bill, and its details, do not sufficiently restrict the rights, privileges and powers of the purchasers, do not properly

guard the Commonwealth against injustice, injury and wrong, and do not protect in an ample manner the citizens in the use and enjoyment of these great highways.

Under all the circumstances, therefore, and in order that the Legislature of this Commonwealth may act prudently, intelligently and correctly, on a question of such great magnitude and importance to the people and State, the undersigned have been induced, from the foregoing and other considerations in lieu of the bill reported by the majority of the committee, to submit respectfully for the consideration of the Senate the joint resolutions hereto appended.

J. W. QUIGGLE,  
LEVI FOULKROD.

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JOINT RESOLUTIONS relative to the sale of the public works of this Commonwealth.

WHEREAS, The sale of the public improvements of this Commonwealth and the liquidation of the State debt, are subjects which have engaged the attention of the people and Legislature for years past, and are seriously pressed upon the attention of the present Legislature.

*And whereas,* It is urged that if an adequate price could be obtained for the public works, it would be the policy of the State government to sell the same under wise restrictions and reservations as to the character and power of the purchasers, and under proper regulations as to keeping them in repair—as to tonnage and travel upon them—and their use by the citizens of this Commonwealth.

*And whereas,* the price or sum which may be obtained for the said improvements, forms an important item and inquiry in the consideration of such sale and in order that the legislature may act intelligently and correctly on a measure of so much magnitude and importance to the interests of the Commonwealth and her people. Therefore

*Resolved, By the Senate and House of Representatives of the Commonwealth of Pennsylvania, in General Assembly met,* That the Governor of this Commonwealth be required to invite proposals, by such public notice or notices as he may deem necessary, for the purchase of the several railroads and canals belonging to this Commonwealth, stating specifically the price or sum bid for the whole, or any division thereof, and the terms of payment therefor; and that he communicate the same as received to the next general assembly, together with a statement of the cost of the said several divisions as nearly as the same may be ascertained; as also, the revenue and expenditure on each division for the preceding year.